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BEFORE THE BOARD OF OIL, GAS AND MINING

DEPARTMENT OF NATURAL RESOURCES

SECRETARY, BOARD OF
OIL, GAS & MINING

STATE OF UTAH

IN THE MATTER OF THE REQUEST FOR AGENCY ACTION OF NEWFIELD PRODUCTION COMPANY FOR AN ORDER MODIFYING THE BOARD'S ORDERS ENTERED IN CAUSE NOS. 131-51 AND 139-90 TO ESTABLISH SPECIAL CONDITIONAL 1,280-ACRE (OR SUBSTANTIAL EQUIVALENT) DRILLING UNITS FOR THE PRODUCTION OF OIL, GAS AND ASSOCIATED HYDROCARBONS FROM THE UTELAND BUTTE MEMBER OF THE LOWER GREEN RIVER FORMATION, COMPRISED OF SECTIONS 17 AND 20, TOWNSHIP 3 SOUTH, RANGE 1 WEST, USM, SECTIONS 2 AND 11, SECTIONS 3 AND 10, SECTIONS 6 AND 7, SECTIONS 14 AND 23, AND SECTIONS 16 AND 21, TOWNSHIP 3 SOUTH, RANGE 2 WEST, USM, AND SECTIONS 14 AND 23, TOWNSHIP 3 SOUTH, RANGE 3 WEST, USM, DUCHESNE COUNTY, UTAH, AND TO ALLOW, ON A PILOT BASIS, THE DRILLING AND PRODUCTION OF UP TO SEVEN (7) HORIZONTAL WELLS ON EACH SPECIAL CONDITIONAL DRILLING UNIT SO ESTABLISHED

RESPONSE TO REQUEST FOR
AGENCY ACTION

Docket No. 2013-036
Cause No. 139-113

ROBERT C. BONNET, GARY A. BONNET, LARRY W. LOVE, and GARY A. BONNET, as Independent Administrator of the Estate of Stephen K. Bonnet, deceased, (hereinafter the "**Respondents**" or "**Bonnet Parties**"), by and through their undersigned attorneys, Fabian & Clendenin, hereby respond to the Request for Agency Action filed by

Newfield Production Company (“**Newfield**”) on October 15, 2013 which is scheduled for hearing on December 4, 2013 (the “**Request for Agency Action**”).

The Bonnet Parties own a 40 acre tract of land in Section 21, Township 3 South, Range 2 West, U.S.M. (“**Section 21**”). On May 29, 2013, the Bonnet Parties and Newfield signed a Stipulation in Docket No. 2012-042, Cause No. 139-99 (“**Stipulation**”) for the entry of a proposed forced pooling order, as memorialized in the Findings of Fact, Conclusions of Law and Order, Docket No. 2012-042, Cause No. 139-99, signed on June 12, 2013 (“**Stipulated Forced Pooling Order**”).

Pursuant to the Stipulation and Stipulated Forced Pooling Order, the Bonnet Parties agreed to the forced pooling of their interests in the drilling unit comprising Section 21 into a 640-acre sectional drilling unit. The 640-acre unit was established by Order in Cause No. 139-90 on May 9, 2012, (“**Spacing Order**”).

Specifically, under the Spacing Order, “the Board established a sectional (640-acre or substantial equivalent) drilling unit for the production of oil, gas, and associated hydrocarbons from the Lower Green River and Wasatch formations.” (Stipulated Forced Pooling Order, Findings of Fact at ¶ 3.) Additionally, the Board “authorized up to four producing Lower Green River and Wasatch formation wells, whether all vertical, all horizontal, or a combination of both, upon the drilling unit in subject Section 21, provided that no such well be closer than 1,320 feet from an existing well, completed in and producing from the formations and no closer than 660 feet from the drilling unit boundary.” (*Id.*)

In the current Request for Agency Action, Newfield now seeks to modify the Spacing Order to establish drilling units double the size of the unit that the Bonnet Parties agreed to, specifically, to establish special conditional 1,280-acre drilling units for the production of oil gas and associated hydrocarbons from the Uteland Butte Member of the Lower Green River formation. (Request for Agency Action, p. 1-2.) Additionally, Newfield seeks authorization for additional wells, specifically, for drilling and concurrent production of up to seven (7) long lateral horizontal wells, “to be drilled at Newfield’s (or its successor operator’s) option and with Newfield’s (or its successor operator’s) full discretion.” (*Id.* p. 2 (emphasis added).)

The Bonnet Parties cannot agree to changes to the Spacing Order and thus, changes to their Stipulated Forced Pooling Order, without appropriate assurances from the Board that their correlative rights will be protected and that their interests will not be diluted or inequitably drained. The Board cannot leave these matters within Newfield’s “full discretion.” Such discretion must be tempered by statute. Indeed, it is the policy and duty of the Board to ensure that “the correlative rights of all owners may be fully protected,” to protect “the opportunity of each owner in a pool to produce his just and equitable share of the oil and gas in the pool without waste.” Utah Code Ann. §§ 40-6-1, 40-6-2.

In light of the Stipulated Forced Pooling Order, some of the means that the Board can use to provide the appropriate assurances, and to protect the Bonnet Parties’ correlative rights, include the following:

1. Ensure that Paragraph 19 of the Stipulated Forced Pooling Order is enforced.

Paragraph 19 provides

In the event that payout occurs and *a subsequent operation* is proposed and conducted, the Bonnet Parties shall be Nonconsenting Owners as provided herein regarding such

subsequent operations, and all the provisions of this Order regarding the resumption of the landowners' royalty for the Nonconsenting Owners, the relinquishment and reversion of the Nonconsenting Owners' interests and recoupment of the costs of such subsequent operations shall apply, pursuant to Utah Code Ann. § 40-6-6.5(4) and (6).

(Stipulated Forced Pooling Order, Order at ¶ 19 (emphasis added.)) Newfield's requested increase in unit acreage and increase in the number of wells constitutes "subsequent operation," as contemplated by Paragraph 19. Accordingly, the Bonnet Parties request that the Board ensure that all the provisions of the Order regarding the resumption of the Bonnet Parties' royalty as Nonconsenting Owners, the relinquishment and reversion of Nonconsenting Owners' interests, and recoupment of the costs of such subsequent operations, shall apply.

2. Ensure that Newfield shall drill a minimum of four (4) and up to seven (7) new horizontal wells within the next 24 months, with one well every 6 months minimum or all at once, to be located on the Bonnet Parties' Section 21 drilling unit in the Uteland Butte Member formation.

3. Ensure that the currently producing Thorne well is not considered in the count of the minimum four (4) and up to seven (7) wells requested by Newfield to be completed in the Uteland Butte Member formation within the 24 month period.

4. Ensure that Newfield drill a minimum of two (2) and up to four (4) new wells within the next 24 months, to be located in the Bonnet Parties' Section 21 drilling unit in the Green River/Wasatch formation.

5. Ensure that the currently producing Alzada well is not included in the minimum two (2) and up to four (4) wells requested by Newfield to be completed in the Green River/Wasatch Formation within the 24 month period.

Dated this 20th day of November, 2013.

FABIAN & CLENDENIN,
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CERTIFICATE OF MAILING

I hereby certify that on the 20th day of November, 2013, I caused a true and correct copy of the foregoing Response to Request for Agency Action to be served via U.S. mail, properly addressed with postage prepaid, upon each of the following:

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A handwritten signature in blue ink, reading "Cheryl D. Farney", is written over a horizontal line.